

**EXHIBIT I**



**BY EMAIL AND BY HAND**

02 July 2021

Our Ref: CW/HTB/bt/ H3771.171091

Collas Crill  
P.O. Box 709  
Willow House, 2 Floor  
Cricket Square  
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Cayman Islands

Dear Sirs

**UBS SECURITIES LLC AND UBS AG LONDON BRANCH V HIGHLAND CAPITAL MANAGEMENT ET AL., SUPREME COURT OF THE STATE OF NEW YORK, CAUSE NO. 650097/2009 (THE "UBS ACTION")**

We refer to our letter dated 24 May, and to your letters dated 26 May and 2 June 2021. We note that you act for Sentinel Reinsurance, Ltd ("**Sentinel**").

With regard to the assertion that the demand letter of 19 March 2021 was not received by *'the directors of Sentinel'*, please

- (i) identify each of Sentinel's directors as at 19 March 2021; and
- (ii) confirm that you have taken instructions on this point from each of them.

Your letter of 26 May refers to the need for due diligence and assessment of the claim given its nature and size. In light of that claim, this is plainly a very curious moment (to say the least) for Messrs Neveril and Austin, directors familiar with this matter, to have resigned. Please clarify by return the reason for their resignation please?

Your client's purported need for due diligence and assessment of the claim is also difficult to understand in circumstances where the policy is an "after the event" policy, and as such all diligence was conducted prior to issuance of the policy. Also confirm when will your client revert with the conclusion on its assessment of the claim.

As the insurer, your client is fully aware of the policy and its terms (and we have provided you with a copy of that policy). However, based on our correspondence, we believe a brief summary of the history of the policy and the parties at issue is required.

### **Background to Policy**

Highland Capital Management, L.P. (“**HCMLP**”) was founded by James Dondero and Mark Okada. HCMLP filed for bankruptcy protection on 16 October 2019 and is currently a debtor-in-possession in a bankruptcy case pending before the Bankruptcy Court for the Northern District of Texas, Dallas Division (the “**Bankruptcy Court**”), before the Honourable Stacey G. Jernigan, Case No. 19-34054-sgj11 (the “**Bankruptcy Case**”).

Prior to filing the Bankruptcy Case, the Debtor was managed and controlled by Mr Dondero. However, on 9 January 2020, the Bankruptcy Court entered an order the effect of which was to remove Mr Dondero from control, and to appoint an independent board of directors (the “**Independent Board**”) at Strand Advisors, Inc. (“**Strand**”), HCMLP’s general partner.<sup>1</sup> The Independent Board was appointed to oversee the Bankruptcy Case in lieu of a bankruptcy trustee.

James P. Seery, Jr., was subsequently appointed HCMLP’s chief executive officer and chief restructuring officer in July 2020 (effective as of March 15, 2020) pursuant to a Bankruptcy Court order.

In 2007, two funds managed by HCMLP – Highland CDO Opportunity Master Fund, L.P. (“**CDO Fund**”) and Highland Special Opportunities Holding Company (“**SOHC**,” and together with CDO Fund, the “**Funds**”) – entered into various agreements (the “**Agreements**”) with UBS Securities LLC and UBS AG London Branch (collectively, “**UBS**”).

In late 2008 the Funds breached their obligations under the Agreements, and on 24 February 2009, UBS commenced the UBS Action in the Supreme Court for the State of New York, County of New York (the “**NY Court**”). On 14 November 2019, the NY Court held that the Funds were liable to UBS in the sum of approximately \$1 billion (inclusive of interest).

### **The Sentinel Insurance Policy**

The policy was issued by Sentinel in August 2017 to provide coverage to the Funds, among others, in respect of potential judgments against the Funds and the costs incurred in defending the UBS Action. The stated premium for the policy was \$25,000,000, and the maximum coverage under the policy was \$100,000,000.

The premium was paid by the Funds by means of the transfer of substantially all of the Funds’ assets, in addition to the assets of other entities, to Sentinel in August 2017. These assets consisted of cash and securities with a face value in excess of \$300,000,000 and a market value in excess of \$100,000,000 at the time of transfer, sums which exceed not only the premium but also the coverage provided under the policy. This transfer was allegedly effectuated through a purchase agreement between Sentinel and the Funds, dated 7 August 2017.

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<sup>1</sup> The Independent Board consists of John Dubel, James P. Seery, Jr., and the Honourable Russell Nelms.

We are also concerned about the timing of the policy, which was executed shortly after UBS won a motion for summary judgment in the UBS Action. Against that background, and taking into account the apparent disconnect between the stated premium and the sum actually paid in respect of the policy, the *bona fides* of the arrangement are cast into some doubt, and the situation calls for further, swift, explanation.

Furthermore, the existence of the policy itself and the transfers purportedly made to pay the premium were actively concealed from the Independent Board, the Bankruptcy Court, and UBS by former HCMLP employees (including Matthew DiOrio, one of Sentinel's directors). The policy and related transfers were only recently uncovered through the Independent Board's diligence and have been disclosed to the Bankruptcy Court.

A more complete description of the transfers to Sentinel is included in *Debtor's Motion for Entry of an Order Approving Settlement with UBS Securities LLC and UBS AG London Branch and Authorizing Actions Consistent Therewith* and *Debtor's Omnibus Reply in Support of Debtor's Motion for Entry of an Order Approving Settlement with UBS Securities and UBS AG London Branch and Authorizing Actions Consistent Therewith* (collectively, the "**Pleadings**"). Copies of the Pleadings are attached.

We encourage you to read the entirety of the Pleadings but we understand that Sentinel may be ultimately owned by Mr Dondero and Scott Ellington, HCMLP's former general counsel who was terminated for cause in January 2021. We look forward to confirmation in that regard by return, in addition to any explanation that your client may wish to offer in respect of the facts surrounding the insurance transaction.

Finally, we agree that the regulator should be involved and for that reason we are sending this letter and previous correspondence to Ruwan Jayasekera at CIMA. We reserve the right to send CIMA additional factual information supporting the allegations contained in this letter and the Pleadings under separate cover.

Yours faithfully



**WALKERS**

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